

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1212 - SB 1571

March 29, 2021

SUMMARY OF BILL: Requires the Department of Revenue (DOR) to establish the Uninsured Vehicle Diversion Program (Program). Authorizes DOR to attach cameras or other vehicle recognition systems on or near roadways for the purpose of assessing violations of Title 55 (Motor and Other Vehicles) Chapter 12 (Financial Responsibility) of the Tennessee Code Annotated. Establishes that violations of the Financial Responsibility chapter are \$275 for the first violation and \$350 for a second or subsequent violation.

ESTIMATED FISCAL IMPACT:

Increase State Revenue - \$1,839,300/FY22-23

Exceeds \$1,839,300 /FY23-24 and Subsequent Years

Increase State Expenditures - \$988,200/FY21-22

\$301,200/FY22-23 and Subsequent Years

Other Fiscal Impact – An amount up to \$921,504,300 in federal funding could be withheld to the Tennessee Department of Transportation due to provisions within the legislation. The timing and amount of any withholdings is unknown.

Assumptions:

- Based on the November 2020 report issued by the DOR and Department of Safety, through October 2020 the number of unconfirmed registrants stands at 1,084,662 which represents an 81.34 percent confirmed rate. Therefore, it is assumed there are 5,812,765 registered vehicles in the state. $[1,084,662 / (100\% - 81.34\%)]$
- The DOR currently have nine customer service representatives who process liability insurance requirements which equates to approximately 645,863 vehicle registrants per representative. $(5,812,765 \text{ registrants} / 9 \text{ representatives})$.
- It is estimated that DOR will need five customer service representative 2 positions for the increased workload increasing state expenditures by \$228,230 $[(\$31,644 \text{ salary} + \$12,002 \text{ benefits} + \$2,000 \text{ laptop and supplies}) \times 5 \text{ positions}]$, and one vehicle services supervisor increasing state expenditures by \$54,952 $(\$39,624 \text{ salary} + \$13,328 \text{ benefits} + \$2,000 \text{ laptop and supplies})$, for a total increase of \$283,182 $(\$228,230 + \$54,952)$ in FY21-22, and a recurring increase in state expenditures beginning in FY22-23 of

\$271,182 {[((\$31,644 salary + \$12,002 benefits) x 5) + (\$39,624 salary + \$13,328 benefits)]}.

- It is assumed the five new customer service representatives will handle approximately 3,229,315 vehicles annually (645,863 x 5). It is further assumed a compliance rate of 81.34 percent; therefore, the number of vehicles found to be unconfirmed as a result of the new program are estimated to be 602,590 [3,229,315 – (3,229,315 x .8134)].
- From January 1, 2020 through October 12, 2020, the DOR collected \$1,317,268 in coverage failure fees. It is estimated coverage fees for calendar year 2020 equaled \$1,505,449 [(\$1,317,268/10.5 months) x 12 months]. The current program requires imposing fees which range from \$25 for the initial notice and \$100 for a continued coverage failure fee after 30 days.
- It is assumed the average fee is \$62.50 [(((\$100 - \$25) / 2) + \$25)]. The estimated number of violations in which fees are collected is assumed to be 24,087 (\$1,505,449 / \$62.50). This is approximately 2.22 percent (24,087 / 1,084,662) of all unconfirmed registrants.
- It is assumed that of the 602,590 unconfirmed vehicles in the new program, 13,377 (602,590 x .0222) will be assessed fees under the new program.
- The proposed legislation authorizes first violations penalty fees of \$275 and \$325 for second and subsequent violations. Due to indigency rates, the discretion of the department to assess a fee, the amount of fees assessed, as well as the difficulty in collecting from non-state registered vehicles, it is assumed that only 50 percent of assessed fees will be collected.
- The total increase in state revenue in FY22-23 is \$1,839,338 [\$275 x 13,377 x 50%] and exceeding \$1,839,338 [\$275 x 30,220 x 50%] in FY23-24 and subsequent years to account for the possible fee increase for second and subsequent violations.
- Based on Fiscal Review Committee staff research, the estimated cost to install each system is reasonably estimated to be \$75,000. It is estimated that there would be at least three vehicle recognition systems in each of the three grand divisions of the state and these would all occur within FY21-22, and a recurring \$30,000 per year for the third-party vendor systems.
- The total increase in state expenditures are \$988,182 [\$283,182 + \$30,000 + (\$75,000 x 3 systems x 3 grand divisions)] in FY21-22, and \$301,182 (\$271,182 + \$30,000) in FY22-23 and subsequent years.
- According to the Department of Transportation, up to \$921,504,300 in federal funding from the Federal Highway Administration could be at risk if cameras or other equipment are placed on certain infrastructure as described in the proposed legislation. To the extent that these devices would be placed in such areas or what amount of funding would be withheld for such practice is unknown.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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